

# EXHIBIT 3

From: Echols, Deana C.  
To: Adelman, Connie; Dean, Anne; Charlie Dottore  
Subject: Fwd: DCEH Receivership - Las Vegas Campus - FW: CFA- Update and Questions  
Date: Friday, March 22, 2019 11:27:13 AM  
Attachments: image003.png

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Please note, all receiver Ai campus stipends must be addressed to request Vegas funding. See below.

Sent from my Verizon, Samsung Galaxy smartphone

----- Original message -----

From: "Smith, Joseph" <Joseph.Smith@ed.gov>  
Date: 3/21/19 8:26 PM (GMT-05:00)  
To: "Echols, Deana C." <dcechols@dcedh.org>  
Cc: "Frola, Michael" <Michael.Frola@ed.gov>  
Subject: RE: DCEH Receivership - Las Vegas Campus - FW: CFA- Update and Questions

Dear Ms. Echols,

I have one further piece of guidance to share with you. In light of DCEH's mismanagement of Title IV, HEA credit balance funds under its Argosy University brand while it participated under the Heightened Cash Monitoring 1 (HCM1) method of payment, the Department requires the Art Institute of Las Vegas (Art Institute) to submit evidence that any unpaid credit balances owed to Art Institute students have been directly disbursed to students or parent borrowers, with documentary evidence substantiating the students' or parent borrowers' receipt of those payments. This requirement extends to all Art Institute students, regardless of whether Art Institute reports the student in an HCM2 claim.

This documentation must be provided by Art Institute to the Department on or before the date Art Institute submits its first completed Form 270 and Student Data Spreadsheet to the Department under the HCM2 process. Art Institute must submit current student ledger accounts, documentary evidence of credit balance payment consistent with the direct payment methods described in 34 C.F.R. § 668.164(d), and a summary spreadsheet covering all current and former Art Institute students for whom Art Institute owed a credit balance.

If a credit balance was paid by electronic funds transfer, you must provide evidence from your financial institution that funds were transferred from your financial institution into the student's or parent borrower's designated bank account. If payment was made by check payable to and requiring the endorsement of the student or parent borrower, you must provide copies of the front and back of the negotiated check. If payment was made by cash disbursement, you must provide copies of the cash receipt signed by the student or parent borrower.

Failure to provide this information on or before the date that Art Institute submits its first completed Form 270 and Student Data Spreadsheet under the HCM2 process will result in the Department's

immediate action to reject all pending records submitted by Art Institute to the Department's Common Origination and Disbursement (COD) system.

Sincerely,

Joseph Smith  
Compliance Manager  
Multi-Regional and Foreign Schools Participation Division  
Federal Student Aid

Office: (202) 377-4321  
[Joseph.Smith@ed.gov](mailto:Joseph.Smith@ed.gov)  
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Dear Ms. Echols,

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As you know, the Art Institute of Las Vegas (Art Institute) was placed on the Heightened Cash Monitoring 2 method of payment (HCM2) on January 25, 2019. An electronic copy of the HCM2 placement letter and its attachments are included here for your ease of reference. I recommend you take a moment to re-acquaint yourself with HCM2 placement letter instructions, with special emphasis on protecting the personally identifiable information of Title IV recipients. The attached Student Data Spreadsheet template contains 'dummy' SSN and other 'dummy' PII information. The HCM2 placement letter also identifies the name and contact information of the Payment Analyst to whom Art Institute's HCM2 requests and inquiries should be submitted.

To begin the HCM2 process, the Art Institute should:

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**Special note:** If you discover a need to resubmit records to COD on behalf of students for whom **previously accepted** COD records were **cancelled** by FSA, and you have already drawn down Title IV,



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Thanks,  
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The current term ends at the end of the month.

Thanks,  
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Edit number	088
Description	PROGRAM COMPLIANCE REJECTED THIS STUDENT FOR MISSING DOCUMENTATION
Edit status	Rejected
Field value	4
<div> <div>UPDATE RECORD</div> <div>VIEW RECORD</div> <div>VIEW RESPONSE</div> </div>	

**From:** Shelabarger, Trisha

**Sent:** Tuesday, March 12, 2019 3:15 PM

**To:** Adelman, Connie <[cadelman@dcedh.org](mailto:cadelman@dcedh.org)>; Echols, Deana C. <[dcechols@dcedh.org](mailto:dcechols@dcedh.org)>

**Subject:** RE: CFA- Update and Questions

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The excerpt below is from <https://studentaid.ed.gov/sa/about/announcements/dream-center>.

Even if the schools do not officially close, ED has begun the process to identify Argosy and Art Institute students that were disbursed a federal direct student loan for the current term and is in the process of cancelling those disbursements. The cancellation of the disbursement for the current term for all students will be done automatically with adjustments made to your loan balance to reflect it. For current Pell Grant recipients transferring to a school and starting classes before July 1, 2019, the financial aid office at your new school will be able to determine your remaining 2018–19 Pell Grant eligibility. ED is notifying schools about Pell Grant processing for students affected by this situation.

Thank you,  
Trisha Shelabarger  
Director | Centralized Financial Aid  
Office: (480) 327-3076 | Email: [pshelabarger@dccehd.org](mailto:pshelabarger@dccehd.org)



1255 S. Spectrum Blvd. | Chandler, AZ 85286  
[WWW.DCEDH.ORG](http://WWW.DCEDH.ORG)

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*Michael* (1)

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Disbursement 4 Error	
Field	DisbursementNumber
Edit number	088
Description	PROGRAM COMPLIANCE REJECTED THIS STUDENT FOR MISSING DOCUMENTATION
Edit status	Rejected
Field value	4
<div> <div>UPDATE RECORD</div> <div>VIEW RECORD</div> <div>VIEW RESPONSE</div> </div>	

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- We also need to further understand current/continued eligibility for state grants and military/VA funding to determine required actions for those fund sources.

The excerpt below is from <https://studentaid.ed.gov/sa/about/announcements/dream-center>.

Even if the schools do not officially close, ED has begun the process to identify Argosy and Art Institute students that were disbursed a federal direct student loan for the current term and is in the process of cancelling those disbursements. The cancellation of the disbursement for the current term for all students will be done automatically with adjustments made to your loan balance to reflect it. For current Pell Grant recipients transferring to a school and starting classes before July 1, 2019, the financial aid office at your new school will be able to determine your remaining 2018–19 Pell Grant eligibility. ED is notifying schools about Pell Grant processing for students affected by this situation.

Thank you,

Trisha Shelabarger

Director | Centralized Financial Aid

Office: (480) 327-3076 | Email: [pschelabarger@dccehd.org](mailto:pschelabarger@dccehd.org)



1255 S. Spectrum Blvd. | Chandler, AZ 85286  
[WWW.DCEDH.ORG](http://WWW.DCEDH.ORG)

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**From:** Echols, Deana C.  
**To:** Batulla, Dawn; Warren, Karin; Chu, Alicia  
**Cc:** Adelman, Connie  
**Subject:** FW: The Art Institute of Las Vegas - Form 270 and HCM2 Spreadsheet - 1st Submission  
**Date:** Tuesday, May 14, 2019 2:14:10 PM  
**Attachments:** [image001.png](#)  
[image004.png](#)  
[100 Students for HCM2 Claim.xlsx](#)

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Here are the 100 students. Please use the password from my prior email to open.

The documentation needed for each student is documented in the HCM2 letter from the Department. Each file must contain a file checklist of these items and should include all items.

Alicia,

I will review your email as soon as I can.

Thanks,

Deana  
770 883 8414

**From:** Miles, Eric <Eric.Miles@ed.gov>  
**Sent:** Monday, May 13, 2019 3:03 PM  
**To:** Echols, Deana C. <dcechols@southuniversity.edu>; Smith, Joseph <Joseph.Smith@ed.gov>; Sikora, Tara <Tara.Sikora@ed.gov>  
**Cc:** Frola, Michael <Michael.Frola@ed.gov>; Adelman, Connie <cadelman@dcedh.org>; Miller, Lia <lmiller@southuniversity.edu>; Cheri Tate <cheri@dottoreco.com>; Charlie Dottore <charlie@dottoreco.com>  
**Subject:** [Possibly Encrypted Message-Can Not Scan] RE: The Art Institute of Las Vegas - Form 270 and HCM2 Spreadsheet - 1st Submission

Hello Deana,

As stated in Section D. of the HCM2 letter, the Initial submission of hard copy student documentation will be capped at 100 students. Using the '04051300 The Art Institution of Las Vegas 5 8 19 Submission' spreadsheet the Department took a random sample to identify 100 students. Attached is a password protected spreadsheet with the students name and SSN. Please use the password that you sent on 5/8/2019 to access the file.

In additional to the student files, we have not received any of the documentation outlined in Section E. (page 12) of the HCM2 placement letter.

Thank you,

Eric Miles  
Multi-Regional and Foreign Schools Participation Division

**POST-HEARING  
EXHIBIT**

**Federal Student Aid**  
An OFFICE of the U.S. DEPARTMENT of EDUCATION

**PROUD SPONSOR of  
the AMERICAN MIND**



Mark Dottore  
The Art Institute of Las Vegas  
2350 Corporate Circle  
Henderson, NV 89074-7737

Re: Partial Approval of HCM2 Submission  
OPE ID: 04051300  
DUNS: 926397829

Dear Mr. Dottore:

The Multi-Regional and Foreign Schools Participation Division received a complete HCM2 request from The Art Institute of Las Vegas (Ai Vegas) on June 12, 2019. We have completed our review of the submission and approved the following amounts for payment on August 16, 2019.

Program	Amt Requested	Amt Approved	Amt Processed in G5
Pell Grant	\$348,002.00	\$2,797.00	\$2,797.00
FSEOG	\$54,728.00	\$0.00	\$0.00
Direct Loan	\$488,718.00	\$13,134.00	\$13,134.00

Ai Vegas must correct the errors and resubmit the records as a complete, *separate* package, including Form 270, Student Data Spreadsheet, etc. Do not include resubmitted records with other records. Ai Vegas may submit the request without waiting for the original 30-day submission period to pass. Upon receipt of the resubmitted request, a new 30-day period will begin.

Our review of a random sample of student records detected an error in excess of 10%. Therefore, payment on all non-sampled students is also rejected. Ai Vegas must review these records for errors similar to those identified among sample students, make necessary corrections, and resubmit those students for payment.

Federal Student Aid, Multi-Regional and Foreign Schools Participation Division  
830 First Street N.E., Washington, DC 20202  
[www.StudentAid.gov](http://www.StudentAid.gov)

**Federal Student**  
An OFFICE of the U.S. DEPARTMENT of EDUCATION

**POST-HEARING  
EXHIBIT**



The Art Institute of Las Vegas  
OPE ID: 04051300  
Page 2

Approval of a portion of this request shall in no way limit the Department of Education's rights to later determine that these funds were improperly expended and to recover these funds from Ai Vegas as the result of an audit, program review, or in any other manner. In addition, the review does not constitute a complete file review and does not relieve Ai Vegas of its annual audit requirement.

Sincerely,

A handwritten signature in black ink, appearing to read "Eric Miles", written in a cursive style.

Eric Miles  
Payment Analyst

Enclosure: Payment Rejection Details

cc: Dawn Batulla, Financial Aid Director (dbatulla@aii.edu)

The Art Institute of Las Vegas  
OPE ID: 04051300  
Page 1

**Payment Rejection Details**

**General Deficiencies**

Reason for Rejection: Pell grant funds requested on the Student Data Spreadsheet and Form 270 were paid to Ai Vegas prior to HCM2 claim submission.  
Requirements to Resolve: Submit an updated Student Data Spreadsheet and Form 270.

**From:** Chyrl Ayers  
**To:** Adelman, Connie  
**Subject:** RE: 5 sample files  
**Date:** Sunday, October 20, 2019 4:25:33 PM

---

Connie,

I have reviewed the files and my general concerns follow:

1. Admission Application page 4 indicates Application Essay and the essay is not present but the student checked a box certifying the essay was independently conceived and written. It is a part of the Admission Process and is missing. I spoke to Brian and Dawn that indicated it is not required upfront to be considered for admission (I get this) but these students were admitted, awarded and disbursed – it is required at this point. I don't know if this will be a reject by the Analyst but Global would reject with exclusion from the submission. **Note:** There was only one student in this testing with the essay missing; however, we have looked at other files prior to this exercise and notice the essay missing.
2. Detail Attendance is difficult to follow for online students (students attending online through Pittsburgh campus that closed in March prior to term ending). The attendance provided does not include hour attended/scheduled. According to Brian, when the student clicked into the online course it only recorded a minute (nothing more). Brian indicated that this mean the student attended on the day the minute appears but I don't know if the Analyst is aware of this or will accept the explanation. In addition, Brian told me that the students in the January term taking the online classes out of Pittsburgh had no way to complete the term when the school closed in early March with 2-3 weeks more in the term. This appears to be accurate based on the academic transcripts. No attendance/days scheduled beyond March 11, 2019. Brian indicated that the teachers tried to work with the students to get them through to the end of the term; however, I do not see any documentation to support. (Student details below will indicate what I am seeing per test file).
3. The documentation being presented on the award calculations does not tie to the charges on the Accounts Receivables Ledger. Dawn indicated that the amounts of fees listed on the award calculations are estimates and the fees may not apply to the term attended. I would recommend cleaning up the award calculations to be accurate to what is awarded to ensure proper awarding or provide the documentation of where students are informed these are estimates and may not be charged during the term indicated. (Student details below will indicate what I am seeing per test file).

#### **Student Detail Tested**

-  
Tuition Charge correct based on the award calculation; however, award calculation indicates \$175 digital textbook and \$210 Culinary Lab Fee but AR charged \$150 and \$0. The charge for the digital textbook appears to be correct \$50 per course on the AR Ledger. Tuition seems to be correct but the fees do not appear to match the amounts on the award calculation for current or previous terms.

Credit balance exist on the October 2018 term for \$704 but it was created by the posting of Art Grant \$1082. Were the non-TIV credit balances resolved but ledgers not updated?

HS Graduation indicates May/1992; however, the Admission Application indicates May/1993. Conflicting information.

Missing Essay required for admission.

Attendance Detail issue – appears student attended 1 minute out of each scheduled day attended; however, according to Brian that is all that records for online program. Accepting that explanation – the student only attended 13 days out of 38 days and received a C (passing grade), the student never missed more than 14 consecutive days but did not attend 50% of the scheduled days. Is the student able to obtain passing grade only attending 34%? In addition, the other two courses that started on the second mod 2/14/19 were not completed due to the closure of Pittsburgh campus that was offering the online education. US History last day offered was 3/11/19 and Nutritional Science last day offered was 3/10/19.

Academic Transcript indicates a grade of C in English Composition that the student only logged into 13 days in the first mod that contained 38 days. I am unclear on how the student obtained an F in Nutritional Science and UF in US History when the coursework is not documented as completed due to closure of the online education through the Pittsburgh campus.



Tuition charge on AR Ledger is \$6253 for 13 hours but the award calculation was based on 12 hours at \$5772. Culinary Lab \$420 and Digital Textbook \$177 on award calculation but charged on AR Ledger as Culinary Lab \$105 and Digital Textbook \$100. Unable to determine correct charges for AR based on the award calculation.

It appears this student finished one program and re-enrolled into the Culinary Management program for 10/1/18. Her essay was part of the Admission Application.

No issues with the attendance provide on BUS302 and CUL22 but the attendance for BUS341 appears to be an online course with the student only attending 11 out of 38 days in the January module of the January quarter. The student received an A grade with attempting on 28% of the days. HUM132 course appears to be online with the student's second module starting on February 14<sup>th</sup> and the student only attending 1 time on February 19<sup>th</sup>. The Academic Transcript indicates withdrawn from the class.

No documentation provided beyond the 1/7/19 term. AR Ledger indicates charged and tuition adjustment for April term? Did student withdraw at the end of the April term? If so, was Exit Counseling performed?

**Daniel Hernandez**



Case: 1:19-cv-00145-DAP Doc #: 651-7 Filed: 11/03/20 3 of 6. PageID #: 14866

-  
Tuition charge on AR Ledger is \$5772 for 12 hours that matches the award calculation; however, the Digit Textbook charge on AR Ledger is \$175 on award calculation \$125. Unable to determine correct charges for AR based on the award calculation.

Admission Application did contain the required essay.

The Fall 2018 term has a GPA of 1.71; however, a cum GPA of 3.01. Is there any counseling that would have been performed on the term for a GAP below 2.0? If so, this needs to be provided in the file submitted to ED for review.

Student Financial Plan Condition provided is not signed or dated by the student.

-  
-

[REDACTED]

-  
Tuition charge on AR Ledger is \$5772 for 12 hours and Culinary Lab \$210 that matches the award calculation; however, the Digit Textbook charge on AR Ledger is \$200 on award calculation \$175. Also, charged on the AR Ledger is Supply Kit \$698.21 but nothing listed on the award calculation for Supply Kit. Unable to determine correct charges for AR based on the award calculation.

There is a credit balance on the January 2019 term for \$1883.79 due to the posting of VA Ch 33 Benefits in the amount of \$5982. I do not see any indication on the AR ledger this has been addressed. Were non-TIV credit balances issued but the ledger was not updated?

Admission Application did not require Essay.

[REDACTED]

Tuition charged to ledger for \$6253 (correct based on 13 hours at \$481) but awards calculation based on 12 hours for \$5772. The correct amount in Culinary Lab Fee charged and matches the award calculation; however, the Digital Textbook charged is \$125 not the amount on award calculation of \$168.

There is a credit balance due from the posting of the Art Grant of \$410. I do not see this has been resolved.

Admission Application did contain the required Essay.

Academic Transcript does not have classes listed beyond the January term but I see that April term tuition was charged. Did this student withdraw at the end of the January term? If so, the charges for April term should be adjusted off of the AR Ledger. Was exit counseling provided?

Our team is very thorough when we are submitting students in the HCM2 process. These students as is would not make our list to submit for sample selection without having resolution or

Case: 1:19-cv-00145-DAP Doc #: 651-7 Filed: 11/03/20 4 of 6. PageID #: 14867

documentation to resolve the conflict. The most concerning item is the attendance detail provided for the online courses. I am not sure how this can be resolved if the information I received was correct the online offering shutdown without options for the students to complete the classes.

I will be in the office tomorrow.

Have a good rest of the weekend.

Chyrl

**From:** Adelman, Connie [mailto:cadelman@dcedh.org]  
**Sent:** Friday, October 18, 2019 1:20 PM  
**To:** Chyrl Ayers  
**Subject:** RE: 5 sample files

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Thank you. I will make sure they are aware of this.

Connie

**From:** Chyrl Ayers <cayers@globalfas.com>  
**Sent:** Friday, October 18, 2019 2:19 PM  
**To:** Adelman, Connie <cadelman@dcedh.org>  
**Subject:** RE: 5 sample files

Connie,

I apologize. I do not get notifications on items loaded to the sftp. Also, AILV is not an active campus for our process so no one is checking their sftp.

As soon as I can get the IT team to access the sftp, I will get the files pulled down.

Chyrl

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**From:** Adelman, Connie [<mailto:cadelman@dcedh.org>]  
**Sent:** Friday, October 18, 2019 1:15 PM  
**To:** Chyrl Ayers  
**Subject:** FW: 5 sample files

See below from Dan.

Connie,

The 5 sample files were uploaded this afternoon to the Global share site.

Thank you

**Dr. Daniel M. Taylor**  
*Interim Campus Director*  
*Dean - School of Applied Arts*

**The Art Institute of Las Vegas**  
2350 Corporate Circle Suite 100

Henderson, NV 89074  
[dtaylor@citadelartsu.org](mailto:dtaylor@citadelartsu.org)  
702-992-8456

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